THE FINANCIAL BLUEPRINT

ANNUAL REPORT 2022

PrimeRevenue

Executive Summary

The last few years have tested the financial stability of many supply chains — and the last 12 months have been no different. Some aspects of the supply chain have stabilized while others encounter both new and persistent headwinds. To better understand the role that supply chain finance is playing in helping companies navigate the current business climate, PrimeRevenue has analyzed activity across its global B2B payments platform from the months of September 2021 through September 2022.

Key Findings in Report or Analysis:

76%

Suppliers continue to have a strong appetite for early payment with global trade ratios at an average of **76% across 2021 and 2022**. This is noteworthy given the differences in the economic climates of the last two years — including, but not limited to, the war in Ukraine, inflation, rising interest rates and unprecedented strength of the U.S. dollar.

27%

At 27%, the Americas experienced the greatest year over year (YOY) increase in upload volumes and a 24% increase in trade volumes. EMEA and APAC saw a much smaller increase in upload and trade volumes, 7% and 11%, and 2% and 3% respectively. However, these figures are much higher adjusted for currency fluctuations.

8-14 days

Across all industries analyzed, payment terms have increased YOY by a range of **8 to 14 days** — except for Food & Beverage, where payment terms have declined by 4 days.

0

Historic interest rate increases have had **zero impact** on supplier trading behavior over the last 5+ years. Early payments have remained steady (~81%) despite the base rate fluctuating between 0.1% to 3.5+%.

Economic Confidence Wanes Amid New and Persistent Headwinds

High inflation, rising interest rates, and growing geopolitical tensions defined the economic climate in 2022. While many companies posted record profits, the headwinds entering the second half of the year tempered confidence as business leaders anticipated further economic decline and more austere fiscal policy measures.

Supply chain finance transaction activity across PrimeRevenue's global B2B payments platform reflects these conditions. Compared to 2021, supplier demand for early payments through buyer-led supply chain finance programs remained strong. Our data indicates both buyers and suppliers continued to lean heavily on early payment to help shore up working capital and increase cash flow amid a volatile economy.

Supply Chain Finance Activity by Geography

Suppliers continued to have a strong appetite for early payment with global trade ratios hovering at an average of 76% across 2021 and 2022. Trade ratios are defined as the percentage of supplier invoices uploaded onto PrimeRevenue's platform that are submitted for early payment. Geographically, there were variances across Americas, EMEA and APAC. Trade ratios in the Americas declined slightly from 84% in 2021 to 82% in 2022, while they increased nominally in EMEA (from 79% to 80%) and APAC (from 65% to 66%).

Demand appears to be growing as we head into the fourth quarter of 2022 accompanied by higher interest rates and inflation. In October 2022 (and going into November), we're seeing trade ratios climb above 80%.

At 27%, the Americas experienced the greatest YOY increase in upload volumes, which is the value of approved invoices uploaded onto our platform by buyers. The region also saw a 24% increase in trade volumes, or the value of approved invoices that are traded for early payment on our platform by suppliers. EMEA saw a much smaller increase in upload and trade volumes, 7% and 11% respectively. APAC's increases were marginal with just a 2% increase in upload volume and a 3% increase in trade volume.

These numbers reflect certain economic headwinds and tailwinds, including inflation and currency fluctuations. The value of the USD has reached a near-historic high compared to the EUR, GBP, and AUD in recent months. In October 2022, the EUR was 18% weaker than the USD compared to October 2021 while the AUD was 16% weaker. This has had a dragging effect on growth percentages in upload and trade volumes in EMEA and APAC since volume numbers are

Industry Terms:

Term
Agreed payment on the invoice

Accelerated
Time difference between term and the day supplier takes early payment

Paid
The day the supplier takes early or on-time payment

Upload Volume
Value of approved invoices uploaded onto our platform by buyers

Trade Volume
Value of approved invoices that are traded for early payment on our platform by suppliers

Trade Ratio
Percentage of supplier invoices uploaded onto platform that are then submitted for early payment

reported in USD. If we adjust EMEA and APAC upload and trade volumes for currency changes, EMEA growth would be roughly 25% in uploads and 29% in trades while APAC growth would be 18% and 19% respectively.

Average supplier payment terms on PrimeRevenue's platform have increased marginally from 122 days in 2021 to 123 days in 2022 in the Americas, and from 100 to 107 days in EMEA. APAC was the only region to experience a decrease in supplier payment terms year over year from 105 days to 102 days. However, APAC is the only region where suppliers have taken payment earlier in 2022 than in 2021. This could signal sustained pressure on working capital cycles from continued supply chain issues in the region (e.g. zero-Covid policy in China) prompting suppliers to have an increased appetite for early payment compared to other regions.

Despite trading less invoice volumes, the Americas is the only region that's discounting invoices for longer tenors. EMEA and APAC are trading more invoices for longer tenors.

Region	Americas		EMEA		APAC	
Metric	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Avg. Term (days)	133	140	100	107	105	102
Avg. Accelerated (days)	102	107	71	74	69	70
Avg. Paid (days)	31	33	29	33	36	32
Trade Ratio	78%	77%	79%	80%	65%	66%
% Change in Upload Volume		27%		7%		2%
% Change Trade Volume		26%		11%		3%

Supply Chain Finance Activity by Industry Groups

Globally, four industry groups have accounted for most of the trade and upload volume increases. These include Automotive, Food & Beverage, Consumer Durables (products that last for three years or more) and Industrial Machinery. For all industry groups, except Food & Beverage, payment terms have increased YOY by a range of 8 to 14 days. Food & Beverage payment terms have declined by 4 days, likely due to stricter rules on fresh produce terms (particularly in Europe).

Suppliers in Industrial Machinery value early payment significantly more than suppliers in other industry groups as evidenced by higher trade ratios and higher increases in upload and trade volumes. Of the four groups highlighted, Consumer Durables (apparel, personal products, home improvement retail, etc.) buyers have the longest payment terms – and the largest increase in payment terms YOY – as well as tenors/days used.

Industry	Automotive		Food & Beverage		Consumer Durables		Industrial Machinery	
Metric	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Avg. Term (days)	99	107	120	116	120	134	119	126
Avg. Accelerated (days)	64	74	91	88	87	102	83	88
Avg. Paid (days)	35	33	28	28	33	32	36	37
Trade Ratio	69%	72%	70%	73%	73%	72%	87%	87%
% Change in Upload Volume		16%		7%		10%		29%
% Change Trade Volume		21%		11%		9%		29%

Trends in Supplier Demand for Early Payment

Over the last decade, supplier appetite for streamlined and early payment has grown steadily for a plethora of reasons: digital transformation (and the need to shore up liquidity to fund it), varying economic conditions, increasingly strict regulatory climate around supplier payment terms, and – most recently – a global pandemic. That trend continued into 2022 as suppliers have battled rising interest rates, higher liquidity costs, supply chain shortages, and record-high inflation.

Trends in Supplier Liquidity Costs

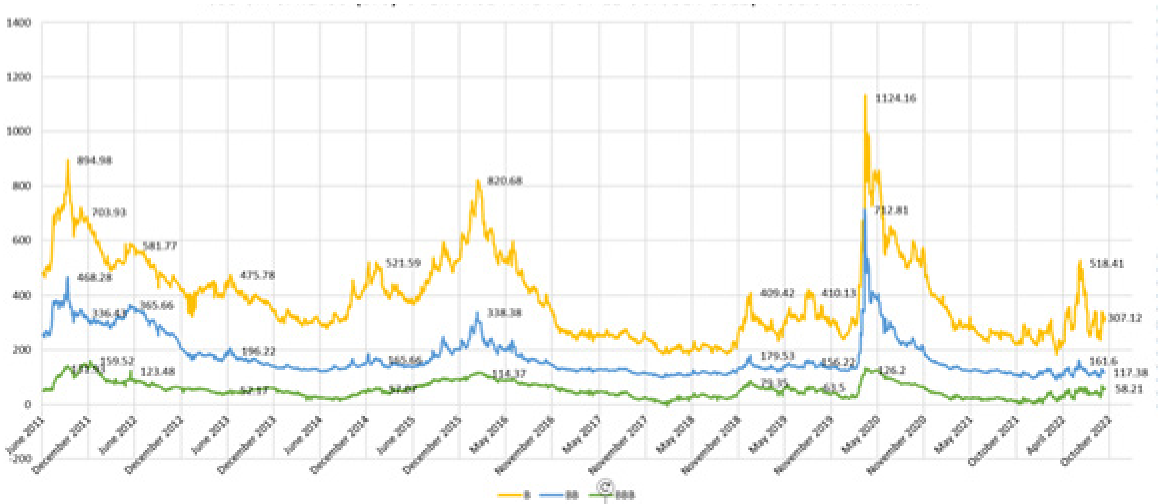
Liquidity has become increasingly expensive in 2022, with banks increasing their credit spreads disproportionately across the credit rating spectrum. This has most impacted supply chain finance programs with buyers who are low-investment-grade or sub-investment-grade.

Overall, the average cost that suppliers are paying in the form of the fee funding partners charge has more than doubled year over year:

YTD 2021	YTD 2022
Base Rate + **0.41% APR** (41bps)	Base Rate + **0.85% APR** (85bps)

While soaring base rates do equally impact all types of capital that use them as a base, the spreads that are added to them by banks are not impacted equally. Sub-investment grade (SIG) companies are seeing much higher, more volatile credit spreads in the current high interest rate environment. At this time, a supply chain finance program offered by an investment grade (IG) buyer or even high-SIG buyer to SIG suppliers is an extremely attractive, non-debt source of liquidity.

USD 3M Spreads (BPS) Over base Rate as of 11 October 2022 | Public Companies



Source: S&P Capital IQ

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3-Month LIBOR Rate Impact on Supplier Trade Behavior — All PR Buyers

Amid Economic Volatility, Supply Chain Finance Continues to Offer Safe Harbor

Our data indicates that supply chain finance continues to be one of the least expensive sources of liquidity available to suppliers of all sizes –particularly for SIG suppliers. If that weren't the case, suppliers would have reduced trade activity and pursued other liquidity options.

Recent and more frequent interest rate increases by the Federal Reserve, European Central Bank and Bank of England suggest the cost of liquidity will not be going down anytime soon – thereby giving suppliers more incentive to participate in buyer-led supply chain finance programs that leverage the buyer's credit rating, which is typically more favorable than their own. Heading into 2023, we expect more reliance on supply chain finance as a means for buyers to free up working capital and for suppliers to improve cash flow.

About PrimeRevenue As a pioneer in global B2B payments, the PrimeRevenue Platform connects the entire supply chain by improving working capital and automating digital payments. Thousands of companies around the world leverage one streamlined platform to increase payment visibility, enhance control, and improve cash flow. PrimeRevenue is headquartered in Atlanta, with offices in London, Prague, Hong Kong, and Melbourne. For more information, visit **www.primerevenue.com.**

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